

Message Text

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44

ACTION AF-18

INFO OCT-01 EA-11 ADP-00 COME-00 INT-08 AID-20 CIAE-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 EUR-25 AGR-20

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FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 9134

INFO AMEMBASSY LOME

AMEMBASSY TOKYO

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E. O. 11652: N/ A

TAGS: EIND, NI

SUBJECT: CONCLUSION OF SIGNING OF SUPERPHOSPHATE CONTRACT

REF: LAGOS 9324

1. COMMISSIONER INDUSTRIES ADETORO AND T. NISHIYAMA, REPRESENTATIVE JAPANESE COMPANY HAITACHI SHIPBUILDING AND ENGINEERING CO, SIGNED AGREEMENTS APRIL 12 PROVIDING FOR CONSTRUCTION OF FERTILIZER PLANT IN KADUNA AND ITS MANAGEMENT FOR TWO AND A HALF YEARS AFTER PRODUCTION BEGINS IN DECEMBER 1974. THE PLANT WHICH WILL BE WHOLLY OWNED BY FMG WILL HAVE A CAPACITY OF 100,000 METRIC TONS OF GRANULAR SINGLE SUPERPHOSPHATE AND 37,500 TONS OF SULPHURIC ACID. TOTAL COST OF PLANT IS ABOUT 8 MILLION NAIRA (12 MILLION DOLLARS) WHILE HITACHI CONTRACT IS FOR 5.5 MILLION NAIRA (8.4 MILLION DOLLARS). PLANT WILL EMPLOY APPROXIMATELY 200 NIGERIANS AND USE TOGOLESE PHOSPHATE AS PRINCIPAL RAW MATERIAL. HITACHI TO TRAIN NIGERIANS TO OPERATE PLANT ENTIRELY BY THEMSELVES TWO YEARS AFTER PLANT COMMISSIONED. CONTRACT ALSO SIGNED AT SAME TIME WITH DANISH FIRM HALDOR TOPSOE AS SUPERVISING ENGINEERS OF PROJECT.

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2. PRINCIPAL COMPETITOR WITH HITACHI FOR AWARD OF CONTRACT WAS CHEMICAL CONSTRUCTION CO, OF NEW YORK, WHOSE BID BEFORE DOLLAR DEVALUATION WAS REPORTEDLY ALMOST IDENTICAL TO THAT OF JAPANESE (LAGOS 284). WHILE NIGERIAN DELEGATION WAS IN JAPAN NEGOTIATING FINAL ARRANGEMENTS, DOLLAR DEVALUATION AND FLOAT OF JAPANESE YEN OCCURED. NIGERIANS SUBSEQUENTLY ADMITTED THIS THREW HITACHI BID, WHICH IS DENOMINATED IN YEN, CONSIDERABLY ABOVE DOLLAR COST OF CHEMICO PROPOSAL. WHEN QUERRIED AS TO WHY NIGERIA PROCEEDED TO INITIAL CONTRACT WHEN IT WAS CLEAR THAT PURCHASE FROM US WOULD RESULT IN CONSIDERABLE SAVING TO NIGERIA, MININDUSTRY OFFICIALS SIAD THAT SINCE FEDERAL EXECUTIVE COUNCIL HAD APPROVED AWARD TO HITACHI THEY COULD NOT ACT CONTRARY TO THAT DECISION. FURTHERMORE, NIGERIANS SIAD THEY FELT MORAL OBLIGATION TO PROCEED WITH JAPANESE ONCE JAPANESE WERE NOTIFIED OF FEC DECISION.

3. COMMENT: EMBASSY, WHICH HAD ENCOURAGED CHEMICO TO PRESENT COMPETING PROPOSAL TO JAPANESE BID, NATURALLY REGRETS LOSS OF THIS CONTRACT. WE FEEL THAT MANY NIGERIANS AWARE THAT CHEMICO SHOULD HAVE RECEIVED SUPERPHOSPHATE CONTRACT AND THAT COMPETITION WITH HITACHI HAS PUBLICIZED AND ENHANCED CHIMICO'S REPUTATION IN NIGERIA. WE FEEL IT SHOULD HVE GOOD OPPORTUNITY OF BEING SELECTED FOR OTHER LARGE PETROCHEMICAL AND FERTILIZER PROJECTS WHICH FMG HOPES TO UNDERTAKE IN FUTURE. MUCH WILL DEPEND OF COURSE ON CHEMICO PERFORMANCE IN FULFILLING ITS PRESENT CONTRACT TO PREPARE ECONOMIC AND TECHINICAL FEASIBILITY STUDY OF NITROGENOUS FERTILIZER INDUSTRY IN NIGERIA. DURING SIGNING CEREMONY ADETORO NOTED THAT SUCH A PLANT BASED ON GAS WILL BE LOCATED IN COASTAL REGION, INDICATING THAT FMG IS CONFIDENT CHEMICO REPORT WILL BE FAVORABLE TO PRECEEDING WITH ITS CONSTRUCTION.

4. FURTHER COMMENT: SSP PLANT WILL OPERATE AT LOSS AS PRODUCTION COSTS WILL EXCEED REVENUES THIS QUANTITY OF FERTILIZER WILL BRING ON NIGERIAN MARKET. THEREFORE GOV' T WILL HAVE TO SUBSIDIZE OUTPUT. MOREOVER CURRENT MARKET FOR SSP IN NIGERIA IS WELL BELOW 100,000 TONS PER YEAR, SO PLANS MUST BE ORGANIZED TO PROMOTE VOLUME SALES IF PLANT TO RUN AT EFFICIENT LEVEL OF OUTPUT. PLANT WAS BUILT AS PART OF GOV' T EFFORT TO GET A FEW INDUSTRIES GOING, EVEN IF CONDI- LIMITED OFFICIAL USE

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TIONS ARE SOMETHING LESS THAN PERFECT. LOCATION OF PLANT

IN NORTH COMPOUNDED ALREADY BAD ECONOMICS OF PROJECT, BUT
SERVED A POLITICAL PURPOSE IN LOCATING A NEW INDUSTRY IN
NORTH WHERE ECONOMIC PROGRESS VERY SLOW, PARTICULARLY
WHEN COMPARED WITH BOOMING SOUTH.

5. DEPARTMENT MAY WISH PASS SUBSTANCE OF PARA 1-4 ABOVE
TO W. F. MOFFAT, CHEMICAL CONSTRUCTION COMPANY, NEW YORK.
REINHARDT

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